

Endowing Your Library | **Public Libraries & the Law**

Here are some important things to know when considering the establishment of endowment funds:

Special District / Municipal/ School District Public Libraries:

- May establish and manage investment funds on their own, using the financial vehicles defined under NYS General Municipal Law*.
- Are prohibited under General Municipal Law from using third parties like community foundations to hold endowment funds on behalf of their libraries.
- To establish an endowment fund through a third party, such as a community foundation see the section, "Public Libraries (all types)," below.

Association Libraries

- Although association libraries do not fall under General Municipal Law MHLS recommends that they follow these guidelines especially if they receive funds in part due to a successful Chapter 414 vote or plan to do so in the future.

*Under General Municipal Law and subsequent court rulings, all funds (including privately raised moneys) must be invested in the following limited number of financial vehicles:

- Time deposit accounts or certificates of deposit in commercial banks and trust companies located and authorized to do business in NYS;
- Obligations made by the United States of America or guaranteed by the United States of America, and obligations of the State of New York;
- Under very limited circumstances, obligations of municipalities and other municipal corporations.

[Excerpted from the Handbook for Library Trustees of New York State, 2005 edition]

Public Libraries (all types):

- A separately incorporated Friends Group with 501(c)(3) status may establish endowment funds for the library with a third party (i.e. community foundation).
- Individuals who wish to set up separate endowment funds (designated funds) through a third party like a community foundation may do so and are not subject to General Municipal Law. The library is the beneficiary of the fund but does not have any direct authority over the fund(s).
- Funds received via tax revenues (including 414 monies) may not be turned over to a third party.
- MHLS recommends that association libraries also follow these guidelines even with non-414 monies.
- The library should still cultivate/steward donors including thanking donors in writing and/or by phone, even if endowment funds are held by a third party.
- The library may advertise the endowment fund(s) in their publications and online.

Friends Groups:

- If your Friends Group is separately incorporated (i.e. has their own 501(c)(3) designation):
 - They may establish an endowment fund with a third party for your library.
 - They may fundraise to build the endowment fund(s).
 - Friends should consult with the library board president or director regarding access to the fund(s)
- If your Friends Group is not separately incorporated:
 - They may not establish an endowment fund.
 - Funds raised in the name of the Friends may not be transferred to an endowment fund held by a third party.
- Individuals may establish endowment funds:
 - Friends can fundraise to grow the fund(s) if they clearly state that monies raised will be added to the fund. Neither the Friends group nor the library has any direct authority over these fund(s).

Questions?

Contact Rebekkah Smith Aldrich, MHLS Coordinator of Member Information:
845.471.6060 x39 or rsmith@midhudson.org